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CENTRAL INTELLIGENCE AGENCY

REPORT

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1. General Organization. DAHA, the DDR-sponsored foreign trade organization in Berlin, described as an "Anstalt öffentlichen Rechts", was founded on 1 July 1949. The legal predecessor was the Deutsche Handelsgesellschaft Berlin, m.b.H. Until the end of 1949, the Chief Directorate of DAHA, located at Schickierstrasse 5-7, was headed by Dr. Heyer and Gustav Meyer. From the beginning, the various trade agencies (Fachanstalten) within DAHA, such as DAHA Textil, DAHA Metall, etc., were housed at different addresses in the Soviet Sector of Berlin. Since early 1950, however, these Fachanstalten have each had independent managements and financial administrations. A central direction of DAHA has not existed since that time! Each DAHA Fachanstalt receives its trade instructions directly from the DDR administration concerned, that is, DAHA Metall from the Hauptabteilung Metallurgie, Ministry of Heavy Industry, etc.

2. DAHA, the so-called foreign trade agency (Aussenhandelstraeger) for the East Zone, is, in practice, the commercial agent or the extended arm of the Ministerium fuer Innerdeutschen Handel und Aussenhandel (known as MAI, formerly MIAM), Hauptabteilung Aussenhandel. DAHA and DEAG, Deutsche Ein- und Ausfuhrgesellschaft m.b.H., Friedrichstrasse 61, Berlin, share the monopoly on all of the imports into the Soviet Zone.

25X1

3. In February 1951, DAHA employed approximately 2,000 persons.

4. Imports: All imports are made according to a plan which is handled with absolute secrecy and known only to the appropriate officials of the ministry concerned and to the directors of DAHA. The import plan is based on the availability of goods in the East. Imports from the West allegedly consist of about 10-20% of the total DDR imports. The quantities and dollar values of all goods imported from the East are fixed by official trade agreements. If the Eastern countries, whose prices are often well above the free world market price, cannot supply the required imports, DAHA is commissioned to procure them in the so-called capitalist world.

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25X1

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CENTRAL INTELLIGENCE AGENCY

-2-

25X1

negotiations concerning the price and the quality of imports are conducted between DAHA and the actual foreign sales organization. DAHA must get approval for each contract from the appropriate DDR ministry. It often happens that the ministry refuses to approve the purchase of items offered by a Western country, because the goods in question are already included in a trade treaty with one of the Eastern countries. If the Eastern country can or will supply the goods stipulated in the treaty, there is no further argument about the matter.

5. Since about January 1951, DAHA has been able to get insurance coverage on the goods in transit with the Black Sea Insurance Society, a Soviet firm. The goods are usually delivered to a jobber and are then transferred on instructions from DAHA, or the Ministerium fuer Materialversorgung, to the actual distributor, consumer, or manufacturer in the DDR. The goods are inspected either at the border or in the receiving plant depending on the initial agreement. When imports are to be paid for with foreign currency, the final transfer of credit depends on this initial inspection.

25X1

6. Exports. While imports may be made through DAHA or DEAG) only, exports may be directly negotiated between the foreign purchaser and DDR firms not connected with DAHA. A distinction is made between DAHA transactions and external transactions. In DAHA transactions the particular DAHA Fachanstalt appears as the direct seller for the given supplying firm while in external transactions the actual firm is given as the seller. In the latter case, DAHA only examines the transaction for price and administration.

7. All export businesses submit export orders (Exportauftraege) for final approval to the appropriate Fachanstalt and ministry. Regarding this it is noteworthy that export orders for all goods to be exported are specified in the export plan in which minimum prices are fixed. In each case the ministry reserves the right to grant or withhold export orders whenever the trade and political situation with a western country is a decisive factor. The eastern states are for the most part given a special price for the goods, a price which is lower than that quoted the so-called capitalist countries. Upon approval by the ministry of the export order, it is returned through DAHA to the supplying or manufacturing firm which theoretically receives the necessary raw materials for the manufacture of the order from the Materialversorgung. In practice, however, the manufacturers are left to themselves to expedite on their own initiative the procurement of the necessary raw materials.

8. [Redacted] 25X1

9. Almost all deliveries are pre-paid to the border, which means that freight and packing charges are covered by the foreign currency. Deliveries at the place of manufacture or supply are approved in the rarest cases only.
10. Western firms doing business with the DDR must accept certain conditions which do not agree with general commercial practices as they are understood in the West. Under these circumstances only the DDR is in a position to protect itself fully. The western commercial partners must therefore employ every artifice known to them to protect themselves from loss. It is not unusual that the contracted deliveries cannot be made, because the suppliers or manufacturers lack the necessary raw materials. The fact that the credit balance may expire before the order is delivered is immaterial. When it expires, it is extended again and again, if the foreign buyer will put up with such practices. He has no legal claim for breach of contract. Claims for damage compensation are never accepted.

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25X1

-3-

11. Barter. All barter deals involving more than two DAHA Fachanstalten must be carried out by DAHA-Kompensation. The barter method of payment is seldom applied in transactions with those countries with which the DDR has signed trade agreements.
12. The type of goods to be imported is decisive in determining the nature of the goods which the DDR chooses to employ for barter payment.

The barter goods are classified as A, B, and C goods according to their value.

Examples of A category goods are machines, various chemicals, fertilizers, newsprint, optical instruments, cameras, stockings, wool and cotton goods.

Examples of B category goods are chemicals, certain machines, electrical articles, porcelain goods, pianos, pottery, some enamel ware and artificial fabrics.

Examples of C category goods are illuminating glass, other glass articles, pottery, paper goods, toys, mouth organs and similar musical instruments.
13. Negotiations regarding price and quality are conducted by the Fachanstalt concerned, while the compensation section (DAHA-Kompensation) coordinates the price with the current trade and political situation. The compensation section also determines the type of goods to be exported as payment for imports. The compensation section not only concludes all barter contracts, but it also conducts all negotiations with foreign contractors concerning delivery dates, conditions of payment, and other matters pertaining to the fulfillment of the contract.
14. The barter contracts are made in ten copies, all of which must be signed by both parties to the agreement. They must also be signed not only by the director of the particular DAHA Fachanstalt but also by a director of the compensation section. After the contracts have been signed by DAHA, they go to the appropriate ministry for further approval. The contract is not legally valid until the foreign contractor presents in writing the approval of his government. Only then do deliveries begin.
15. In general, the barter contracts are drawn up in such a way that the foreign contractor must make delivery first. This means that the DDR does not release its goods until it has received the shippers' receipt indicating that the goods the DDR is importing have been received. It has happened that, in spite of the release of DDR raw material, the manufacturer was not in the position to make deliveries as planned. Cases have occurred in which the DDR's barter exports have been outstanding for as long as 6 to 12 months after the delivery of the imports. The fact that the foreign contractor adds his loss of interest to the price is immaterial to the DDR.
16. Recently, foreign contractors have insisted on so-called train to train exchanges; that is, they have insisted on the actual exchange of goods at the border through a reliable shipping agency. This is usually Derutra (German-Russian Transportation Agency) for the northern states and Deutsche Spedition for the western states. Firma Bertling handles it in Hamburg. Such train to train deliveries are frowned upon by the DDR, because the imports are always urgently needed and the DDR does not like to wait until its own exchange goods are ready for delivery abroad.

25X1

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18. Often weeks elapse before deliveries under contract actually begin, because the export orders (Exportauftraege) must be coordinated with the barter contracts which sometimes involve exports from many firms. As the export orders are worked out, many questions arise which require working out with the delivering firm and this, in combination with the slowness of the mails, the slow working tempo of the offices, and the over-burdening of the employees, often takes weeks. On account of DAHA's extremely complicated organization, in which one section keeps a check on the other, and the lengthy processing of the contract in the ministry, there may be a period of 6 - 8 weeks between

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CENTRAL INTELLIGENCE AGENCY

-4-

25X1

the time when the contracts are first signed by the contracting parties and the final approval. The conclusion of barter transactions at world market prices is virtually impossible.

19. All barter contracts with the DDR, whether they have originated in a ministry, in a DAHA Fachanstalt or in DEAG are, upon final approval, administered and supervised by the DAHA compensation section until fulfilled by both parties.
20. DEAG. DEAG (Deutsche Ein-und Ausfuhr-Gesellschaft) performs a similar function to that of DAHA and is generally considered to be an SED enterprise. Richter (fmu) is no longer its head. One of its most influential executives is (fmu) Schneider. The chief tasks of DEAG are a) the procurement of foreign exchange and b) the import of additional raw materials not covered in the plans.
21. DEAG, like DAHA, concludes barter transactions, but, according to foreign contractors, DEAG does business more quickly, more simply and with less red tape than DAHA. Nevertheless, when the foreign contractors have the choice of doing business with DEAG or DAHA, they will often choose DAHA despite the complications, in order to avoid doing business with the SED. It is known that during the latter part of 1950, [] officials seldom approved barter deals with DEAG, because counterfeit DEAG contracts were in circulation. 25X1
22. DEAG barter transactions are often administered through DAHA in order to give the impression that there is no competition between the two agencies.

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